Registration number: SC182926

Viridor

Viridor Enviroscot Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2020

Viridor Enviroscot Limited

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Viridor Enviroscot Limited

Strategic Report for the Year Ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activities of the company include waste collection, materials recycling, specialist waste and remediation of contaminated sites and the operation of an Energy Recovery Facility (ERF) at Dunbar, Scotland for the generation of renewable energy.

BUSINESS REVIEW

Financial results

During the year, the energy recovery facility at Dunbar, Scotland continued through its ramp up stage towards optimisation.

Revenue increased by £9,973,000 from last year to £65,838,000 (2019: £55,865,000).

Operating profit before interest, tax and depreciation, was £21,877,000 (2019: £19,979,000). The operating margin decreased to 33% (2019: 36%).

Net finance costs were £9,402,000 (2019: £3,993,000).

The Company's taxation position results in a credit for current tax of £1,669,000 (2019: credit of £1,653,000) and a charge for deferred tax of £3,689,000 (2019: charge of £4,615,000).

Investment

Capital expenditure in the year totalled £12,050,000 (2019: £46,359,000) due to the construction of an energy recovery facility at Dunbar, Scotland for the generation of renewable energy. The Company is committed to ensuring its facilities continue to meet the highest environmental standards.

Financing

Significant funding facilities are in place to cover both medium and long-term requirements, including finance leasing and loans from the intermediate parent undertaking and fellow subsidiaries. The Directors confirm that the Company can meet its short-term requirements from existing facilities without breaching covenants or other borrowing restrictions.

Dividends and reserves

No interim dividends were paid in the year (2019: no dividends were paid). The Directors do not recommend the payment of a final dividend (2019: nil).

The transfer to retained earnings for the year was £1,636,000 (2019: £9,757,000).
The balance in retained earnings and other reserves at 31 March 2020 is £5,467,000 (2019: £4,485,000).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Viridor Group and are not separately managed. Accordingly, the principal risks and uncertainties of Viridor Limited, which include those of the Company, are discussed on pages 13 to 18 of Viridor Limited's Annual Report and Financial Statements which does not form part of this Report.

Financial risk management

The Company's activities expose it to a variety of financial risks; market risk (interest rate risk), liquidity risk and credit risk. Further information on the Company's management of these risks is given in note 3 of these financial statements.

Key performance indicators ('KPI's)

The directors of Viridor Limited (the smallest Group in which these financial statements are consolidated), manage the Viridor Group's operations on a fully integrated basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Viridor Group's operations, including those of the Company, are discussed on pages 2 to 11 of Viridor Limited's Annual Report and Accounts which does not form part of this Report.

Section 172 Statement

The directors are aware of their duty under section 172 of the Companies Act 2006 to act in a way which they consider in good faith, would be most likely to promote the success of the Company for the benefit of the members as a whole and, in doing so, have regard to the matters set out in section 172(1) (a) - (f). Examples of how the Board approaches its decision making, in light of its obligations under section 172, and ensuring wider stakeholder engagement, are set out below.

S172(1)(a) The likely consequences of any decision in the long term
Our strategic objectives are; Leadership in UK waste, Leadership in cost base efficiency and Driving sustainable growth. Our strategic objectives, which are set and monitored through a rolling long-term strategic planning process, ensure we work towards achieving long term growth in a sustainable way. In approving the strategic objectives, we also consider a host of external factors, such as the evolving economic and market conditions. The latest sustainability report for Viridor, which contains information on our performance against the sustainability development goals, is available on our website www.viridor.co.uk.

S172(1)(b) The interests of the Company's employees
The company is focused on employee engagement and communication, promoting a diverse and inclusive workforce and the continued development of people in a safe working environment.

S172(1)(c) The need to foster the company's business relationships with suppliers, customers and others
We demonstrate continued commitment to delivering quality of service, value for money and satisfaction to our customers. We continue to foster key strategic and commercial relationships with our supply chain partners, with a focus on quality and sustainability, and focused delivery across the entire supply chain.
We have open dialogue and transparent engagement with our regulatory bodies, policy makers and other stakeholders who shape our social contract.

S172(1)(d) The impact of the Company's operations on the community and the environment
We are committed to providing educational programmes and community sponsorships and engaging in charity support initiatives and outreach events across our regions of operation. We maintain a proactive and positive relationship with our key environmental regulators the Environment Agency and Scottish Environmental Protection Agency (SEPA).

S172(1)(e) The desirability of the company maintaining a reputation for high standards of business conduct
We ensure a transparent approach to conducting business in a responsible manner, with a focus on maintaining good governance. The codes of conduct and policies which apply across our group are regularly updated to ensure the highest of standards are adhered to.

S172(1)(f) The need to act fairly as between members of the company
For the year under review we have been a wholly owned subsidiary of Pennon Group plc, with their Chief Executive and Chief Financial Officer also sitting on our Board. Relevant decisions of the Board are also discussed, where relevant, at the meetings of the parent company board. Our Chief Executive has attended each of the meetings of the Board of Pennon Group plc, during the year.

FUTURE DEVELOPMENTS

The Company will continue to enjoy benefits arising from strong strategic locations and contracts with government related bodies which gives it solid competitive advantage in its markets.

Energy from waste is central to the UK's waste and renewable energy strategies as the long-term, low-cost alternative to landfill for disposal of residual waste. The Company intends to take advantage of this growing market through its energy recovery facility at Dunbar,

Britain's exit from the European Union

Prior to Britain's exit from the EU detailed contingency plans had been established and tested to mitigate against potential issues that may have occurred in the event of a 'no-deal' scenario. Negotiations on a future trading agreement between Britain and the EU is ongoing and continues to be closely monitored. The impact of any agreement on the Company's operations and processes will be fully evaluated as further detail is confirmed. In the event that no agreement is reached, and trade arrangements revert to World Trade Organization (WTO) rules, existing contingency plans will ensure that the Company is well prepared to mitigate against any short-term impact that is likely to arise from this scenario.

Impact of COVID-19

We recognise the significant impact that COVID-19 has had globally and within the UK. In response to the current situation the UK Government has designated keyworker status to our front-line operational waste activities. In order to continue delivering the expected levels of service to our stakeholders we have reviewed our processes and ways of working and drawn on our continuity plans, while continuing to prioritise the health, safety and wellbeing of our employees and customers which remains paramount during this period.

We continue to work closely with our key stakeholders ensuring a joined up and collaborative response and Senior managers continue to receive regular updates on the Company's response.

To date, our business has remained broadly resilient to the immediate risks that have been presented by COVID-19. It is likely, however, that there will be on-going restrictions in place during the next financial year which could provide continued challenges to the delivery our key operational activities. Medium-term response planning has been undertaken to establish strategies to mitigate these risks where possible, which has considered a range of potential scenarios and been informed by actions taken by other countries impacted by the virus. These plans will continue to be reviewed and updated as further details and guidance emerges.

Change in ownership of the Viridor Group

On 08 July 2020, following the completion of the sale of Viridor Limited to Planets UK Bidco Limited, the ultimate controlling party of this Company became KKR & Co. Inc.
There were no financial impacts on this Company as a result of the transaction.

Disposal of Waste Electrical and Electronic Equipment (WEEE) division

Following a strategic decision made by the Board, on 30 October 2020 the Company disposed of its waste electrical and electronic equipment division. The disposal is expected to result in a reduction to net assets of around £1m.

The Strategic Report was approved by the Board and authorised for issue on 27 November 2020 and signed on its behalf by:

....
N W Maddock
Director

Viridor Enviroscot Limited

Directors' Report for the Year Ended 31 March 2020

The directors present their report and the unaudited financial statements for the year ended 31 March 2020.

The Directors' Report is prepared in accordance with the provisions of the Companies Act 2006 and regulations made thereunder. It comprises pages 4 to 6 as well as any matters incorporated by reference. Information regarding Viridor, including events and its progress during the year, events since the year-end and likely future developments is contained in the strategic report set out on pages 1 to 3.

In addition, and in accordance with s414C of the Companies Act 2006, the strategic report contains a fair, balanced and comprehensive review and analysis of the development and performance of the Company's business during the year and the position of the Company's business at the end of the year.

Going concern

The financial statements have been prepared on the going concern basis due to the continued financial support of the intermediate parent company, Viridor Limited. The directors of Viridor Limited confirm that it is their intention to support the company in meeting all its financial obligations as they fall due for a period of at least 12 months from the date of signing the balance sheet.

Donations

No political donations were made or political expenditure incurred and no contributions were made to a non-EU political party.

Financial risk management policy

The Company's financial risk management policy is set out at note 3 on pages 18 to 20.

Financial instruments

Details of the Company's financial instruments are provided in note 2 on page 18 and note 13 on page 29.

Events after the reporting period

Events after the reporting date for the company are discussed in the future developments section of the Strategic report.

Directors

The directors, who held office during the year, were as follows:

P C Piddington (resigned 12 October 2020)

E A J Rees (resigned 12 October 2020)

S A Don (resigned 3 May 2019)

P S Brown (resigned 21 August 2020)

The following directors were appointed after the year end:

N W Maddock (appointed 12 October 2020)

K M Bradshaw (appointed 12 October 2020)

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Company's Articles and the Company has maintained throughout the year Directors' and Officers' liability insurance for the benefit of the Company, the Directors and its Officers. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Employment policies and employee involvement

The Company has no employees (2019: none). Services provided by the Company were undertaken by employees of Viridor Waste Management Limited (a fellow subsidiary of Viridor Limited, the smallest Group in which these financial statements are consolidated). Policies relating to the training and development in the affairs, policy and performance of the Company can be found in the financial statements of Viridor Waste Management Limited.

Parent company

The Company is a subsidiary of Viridor Waste Management Limited. During the year its ultimate parent company was Pennon Group Plc.

The subsidiaries of the Company are listed in note 12 to the financial statements on page 28.

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors' Report was approved by the Board on 27 November 2020.

By Order of the Board

LMHughes

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L M Hughes
Company secretary

Viridor Enviroscot Limited

Income Statement for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Revenue	5	65,838	55,865
Manpower costs	5	(9,427)	(7,702)
Raw materials and consumables used	5	(6,119)	(3,891)
Other expenses	5	(28,415)	(24,293)
Profit before interest, tax, depreciation, amortisation and dividends		**21,877**	19,979
Depreciation and amortisation expense	5	(8,819)	(3,210)
Operating profit		**13,058**	16,769
Finance income		4	78
Finance costs		(9,406)	(4,071)
Net finance cost	6	(9,402)	(3,993)
Profit before tax		**3,656**	12,776
Taxation charge	7	(2,020)	(2,962)
Profit for the year		**1,636**	9,814

The notes on pages 12 to 39 form an integral part of these financial statements.

Viridor Enviroscot Limited

Statement of Comprehensive Income for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Profit for the year		1,636	9,814
Items that will not be reclassified subsequently to profit or loss			
		-	-
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on cash flow hedges (net)		-	(57)
Total comprehensive income for the year		1,636	9,757

The notes on pages 12 to 39 form an integral part of these financial statements.

Viridor Enviroscot Limited

(Registration number: SC182926)
Statement of Financial Position as at 31 March 2020

	Note	31 March 2020 £ 000	31 March 2019 £ 000
Assets			
Non-current assets			
Trade and other receivables	10	**6,398**	6,398
Property, plant and equipment	11	**219,780**	206,747
		226,178	213,145
Current assets			
Inventories	14	**1,631**	1,497
Trade and other receivables	15	**12,352**	10,708
Current tax asset		**13,443**	11,774
Cash and cash equivalents	16	**4,097**	4,339
		31,523	28,318
Liabilities			
Current liabilities			
Trade and other payables	17	**(19,972)**	(20,650)
Loans and borrowings	18	**(29,259)**	(16,222)
Provisions	19	**(169)**	(481)
		(49,400)	(37,353)
Non-current liabilities			
Loans and borrowings	18	**(185,629)**	(186,055)
Provisions	19	**(885)**	(785)
Deferred tax liabilities	7	**(16,245)**	(12,710)
		(202,759)	(199,550)
NET ASSETS		**5,542**	4,560
Equity			
Share capital	20	**15**	15
Share premium		**60**	60
Capital redemption reserve		**75**	75
Retained earnings		**5,392**	4,410
TOTAL EQUITY		**5,542**	4,560

For the financial year ending 31 March 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 7 to 39 were approved by the Board and authorised for issue on 27 November 2020 and signed on its behalf by:

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N W Maddock
Director

The notes on pages 12 to 39 form an integral part of these financial statements.

Viridor Enviroscot Limited

Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £ 000	Share premium £ 000	Cash flow hedging reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2018	15	60	57	75	(5,404)	(5,197)
Profit for the year	-	-	-	-	9,814	9,814
Other comprehensive income	-	-	(57)	-	-	(57)
Total comprehensive income	-	-	(57)	-	9,814	9,757
At 31 March 2019	15	60	-	75	4,410	4,560

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 31 March 2019	15	60	75	4,410	4,560
Transition to IFRS 16	-	-	-	(654)	(654)
At 1 April 2019	15	60	75	3,756	3,906
Profit for the year	-	-	-	1,636	1,636
Total comprehensive income	-	-	-	1,636	1,636
At 31 March 2020	**15**	**60**	**75**	**5,392**	**5,542**

The notes on pages 12 to 39 form an integral part of these financial statements.

Viridor Enviroscot Limited

Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Profit for the year		1,636	9,814
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	5	8,819	3,210
Loss on disposal of property plant and equipment		2	58
Finance income	6	(4)	(78)
Finance costs	6	9,406	4,071
Taxation charge	7	2,020	2,962
		21,879	20,037
Working capital adjustments:			
Increase in inventories		(134)	(1,179)
Increase in trade and other receivables		(1,644)	(2,457)
(Decrease)/increase in trade and other payables		(5,331)	9,406
Decrease in provisions		(256)	(1,355)
Cash generated from operations		14,514	24,452
Taxation received		-	82
Net cash flow from operating activities		14,514	24,534
Cash flows from investing activities			
Interest received		4	78
Acquisitions of property plant and equipment		(6,206)	(37,451)
Proceeds from sale of property plant and equipment		7	31
Net cash flows from investing activities		(6,195)	(37,342)
Cash flows from financing activities			
Interest paid		(9,556)	(3,530)
Proceeds from new borrowings		11,000	13,502
Repayment of borrowings		(7,722)	(11,558)
Finance lease principal repayments		(2,283)	(139)
Net cash flows from financing activities		(8,561)	(1,725)
Net decrease in cash and cash equivalents		(242)	(14,533)
Cash and cash equivalents at 1 April		4,339	18,872
Cash and cash equivalents at 31 March	16	4,097	4,339

The notes on pages 12 to 39 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England.

The address of its registered office is:
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL
United Kingdom

The nature of the Company's operations include include waste collection, materials recycling, specialist waste and remediation of contaminated sites and the operation of an Energy Recovery Facility (ERF) at Dunbar, Scotland for the generation of renewable energy.

2 Accounting policies

Statement of compliance

The company financial statements have been prepared in accordance with International Financial Reporting Standards, its interpretations adopted by the EU ("adopted IFRS's") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Basis of consolidation

The Company is exempt under the provisions of Section 400 of the Companies Act 2006 from the requirement to produce group financial statements as it is a wholly owned subsidiary of Viridor Limited which is registered in the European Economic Area and which itself produces consolidated financial statements. Accordingly the financial statements are presented for the Company as an individual undertaking. Group financial statements are included in the Annual Report of Viridor Limited which is available from Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR.

Going concern

The financial statements have been prepared on a going concern basis.

2 Accounting policies (continued)

New standards, interpretations and amendments not yet effective

Other than the adoption of IFRS 16, which is explained in note 24, new standards or interpretations which were mandatory for the first time in the year beginning 1 April 2019 did not have a material impact on the net assets or results of the Company.

New standards or interpretations due to be adopted from 1 April 2020 are not expected to have a material impact on the Company's net assets or results. Existing borrowing covenants are not impacted by changes in accounting standards.

Revenue recognition

Recognition

Revenue is recognised following delivery of performance obligations and an assessment of when control over the product or service is transferred to the customer. Revenue is only recognised when collection of consideration is highly probable.

Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as the performance obligations to the customer are satisfied. For each obligation satisfied over time, the company applies a revenue recognition method that accurately reflects performance in transferring control of the services to the customer.

Where a contract with a customer includes more than one performance obligation, revenue is allocated to each obligation in proportion to a fair value assessment of the total contract sales value split across the services provided.

At the inception of a contract the total transaction price is estimated, being the fair value to which the company expects to be entitled under the contract, including any variable consideration. Variable consideration is based on the most likely outcome of the performance obligations.

Revenue excludes value added tax, trade discounts and includes revenue arising from transactions between Group companies and landfill tax.

Energy sales

The Company receives revenue from the sale of electricity from generating assets. These assets include solar, anaerobic digestion, gas from landfill and Energy Recovery facilities. Revenue from the sale of electricity from the Company's generating assets is measured based upon metered output delivered at rates specified under contract terms or prevailing market rates. Revenue is recognised at a 'point in time', being the point of distribution to the grid. Typically, invoices are raised monthly with standard payment terms.

2 Accounting policies (continued)

Waste management services

In respect of single services with fixed fees, such as the receipt of gate and collection fees, revenue is recognised at the time the service is provided.

The Company also delivers other waste management services for which revenue is recognised 'over time' in accordance with contracts with customers. The nature of contracts and/or performance obligations includes management fees to operate local authority recycling centres and energy recovery facilities, multi service contracts including collections and gate fees.

Revenue from other services can be fixed (i.e. management fees) or variable (i.e. gate fees).

Gate fee revenue, derived from the Company's operational assets, is recognised as customer waste is deposited and is based on tonnage received.

In respect of waste collection services, revenue is recognised at the point of collection from customer premises.

A majority of waste management customers are invoiced monthly for services provided within the monthly billing period. Payments are typically due on an end of month following invoice basis. Alternative billing and/or payment terms are agreed in exceptional circumstances.

The Company transfers control of such waste management services prior to invoicing. Receipt of payment following invoice is based solely on the passage of time. A trade receivable is recognised until payment is made and/or refund issued.

Recyclate

The Company transforms waste into recyclate ready for resale. Revenue is measured at the agreed transaction price per tonne of recyclate under the contract with the customer. Revenue recognition occurs when control over the recyclate assets has been transferred to the customer.

The Company's performance obligation is satisfied at the point of collection by the customer. This is the point in time when an invoice is issued and revenue is recognised Payment terms are typically end of month following invoice date.

Contract assets and liabilities

A trade receivable is recognised when the Company has an unconditional right to receive consideration in exchange for performance obligations already fulfilled. A contract asset is recognised when the Company has fulfilled some of its performance obligations but has not yet obtained an unconditional right to receive consideration.

A contract liability is recognised when consideration is received in advance of the Company performing its performance obligations to customers.

Grants and contributions

Grants are recognised where there is a reasonable assurance that the grant will be received and all the attached conditions will be complied with.

Grants and contributions receivable in respect of property, plant and equipment are deducted from the cost of those assets.

Grants and contributions receivable in respect of expenditure charged against profits in the year have been included in the income statement in other operating expenses.

2 Accounting policies (continued)

Foreign exchange

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated at the closing balance sheet rate. The resulting gain or loss is recognised in the income statement.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in the statement of comprehensive income or directly in equity. In this case the tax is recognised in the statement of comprehensive income or directly in equity as appropriate.

The Company is part of the Pennon Group for tax purposes and accordingly may use the tax group relief provisions whereby current tax liabilities can be offset by current tax losses arising in other companies within the same tax group. Payments for group relief are included within the current tax disclosures.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Freehold buildings	30-50 years
Short-term leasehold land and buildings	The shorter of their estimated useful economic lives or the finance lease period.
Fixed and mobile plant, vehicles and computers	3-10 years

2 Accounting policies (continued)

Leased assets

Leased assets are accounted for by recognising a right-of use-asset and a lease liability except for:
• Low value assets; and
• Leases with a duration of 12 months or less.

Contracts previously classified as 'operating leases' under IAS 17 are measured at the present value of contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Viridor Group's incremental borrowing rate on commencement of the lease is used. After initial measurement, lease payments are allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The interest element of cash payments in respect of these leases is included within interest payments in determining net cash generated from operating activities. The capital element of the cash payment is included within cash flows from financing activities. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or the remaining economic life of the asset if shorter. When the Company revisits its estimate of lease term (because, for example, it reassesses an extension option), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which is discounted at the same discount rate that applied on lease commencement. In these circumstances an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Measurement and recognition of assets and liabilities previously accounted for as 'finance leases' under IAS 17 continue to apply following the adoption of IFRS 16. Assets continue to be included within property, plant and equipment as right-of-use assets, at the lower of their fair value at commencement or the present value of the minimum lease payments and are depreciated over their estimated economic lives or the finance lease period, whichever is the shorter. The corresponding liability is recorded as borrowings. The interest element of the rental costs is charged against profits using the actuarial method over the period of the lease.

The impact of the adoption of IFRS 16 'Leases' on 1 April 2019 is set out in note 24.

Impairment of non-financial assets

Assets which have an indefinite useful life are not subject to depreciation and are tested annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets which are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use represents the present value of projected future cash flows expected to be derived from a cash-generating unit, discounted using a pre-tax discount rate which reflects an assessment of the market cost of capital of the cash-generating unit.

Impairments are charged to the income statement in the year in which they arise. Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

2 Accounting policies (continued)

Investment in subsidiary undertakings

Investments in subsidiary undertakings are initially recorded at cost, being the fair value of the consideration paid. Subsequently, investments are reviewed for impairment on an individual basis annually or if events or changes in circumstances indicate that the carrying value may not be fully recoverable.

An impairment loss is recognised for the amount by which the investment's carrying amount exceeds the lower of the subsidiary's net asset value or its recoverable amount. The recoverable amount is the higher of the investment's fair value, less costs to sell and value in use. Value in use represents the present value of projected future cash flows expected to be derived from the subsidiary undertaking, discounted using a pre-tax discount rate appropriate to the relevant subsidiary.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within current borrowings.

Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of finished goods and work in progress includes raw materials and the cost of bringing stocks to their present location and condition. It excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price less cost to sell. Stocks of fuel and spares are valued at cost, less any provision for obsolescence.

Fair values

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values. In the case of non-current bank loans and other loans, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the company for similar financial instruments.

Provisions

Provisions are made where there is a present legal or constructive obligation as a result of a past event and it is probable that there will be an outflow of economic benefits to settle this obligation and a reliable estimate of this amount can be made. Where the effect of the time value of money is material, the current amount of a provision is the present value of the expenditure expected to be required to settle obligations. The unwinding of the discount to present value is included as notional interest within finance costs.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2 Accounting policies (continued)

Retirement benefit obligations

During the year, the Company participated in both a defined benefit and a defined contribution scheme operated by the ultimate parent company. Costs of the scheme are included in the employment cost recharge from Viridor Waste Management Limited (a fellow subsidiary of Viridor Limited) as all employees are contracted to that company.

The Directors consider it appropriate to account for the defined benefit scheme as a defined contribution scheme and do not consider there to be a material impact on the financial statements of the Company due to the significant proportion of the scheme assets and liabilities being attributed to Viridor Waste Management Limited, where the required disclosures have been made.

Financial instruments

i) Loans and receivables

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Following initial recognition interest-bearing loans and borrowings are subsequently stated at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the instruments are derecognised or impaired. Premia, discounts and other costs and fees are recognised in the income statement through the amortisation process.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

ii) Trade receivables

Trade receivables do not carry any interest receivable and are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

iii) Trade payables

Trade payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

iv) Receivables due from subsidiary undertakings

Amounts owed by subsidiaries are classified and recorded at amortised cost and reduced by allowances for expected credit losses. Estimated future credit losses are first recorded on initial recognition of a receivable and are based on estimated probability of default.

3 Financial risk review

The financial risk management policies reflect conditions that existed throughout the years ending 31 March 2019 and 31 March 2020.

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks; market risk (interest rate risk), liquidity risk and credit risk. The Company received treasury services from the treasury function of its ultimate parent company, which sought to ensure that sufficient funding was available to meet foreseeable needs, maintain reasonable headroom for contingencies and manage inflation and interest rate risk. The principal financial risks faced by the Company relate to interest rate and counterparty credit risk. Treasury operations are managed in accordance with policies established by the board. Major transactions are individually approved by that board and are subject to review by internal audit. Financial instruments are used to manage interest rate and exchange rate risk. Companies within the Viridor Group do not engage in speculative activity.

3 Financial risk review (continued)

Market Risk

Viridor Waste Management Limited (a fellow subsidiary of Viridor Limited, the smallest Group in which these financial statements are consolidated) is responsible for setting interest rates for the Viridor Group. The Company has no significant interest-bearing assets upon which the net return fluctuates from market risk. Deposit interest receivable is expected to fluctuate in line with interest payable on floating rate borrowings. Consequently its income and operating cash flows are substantially independent of changes in market interest rates. For the year ended 31 March 2020, if interest rates on net borrowings had been 0.5% higher/lower with all other variables held constant, post-tax loss for the year would have increased/decreased by £811,000 (2019: £730,000).

Liquidity Risk

The ultimate parent company actively maintained a mixture of long-term and short-term committed facilities that were designed to ensure that the Company had significant available funds for operations, planned expansions and facilities equivalent to at least one year's forecast requirements at all times. Refinancing risk was managed under the ultimate parent company's policies with agreement that no more than 20% of the Company's debt, as provided by the ultimate parent undertaking, would mature in any financial year. The ultimate parent company managed and determined the criteria for the Company's capital requirement.

Contractual undiscounted cash flows were:

	Due within 1 year £000	**Due between 1 and 2 years £000**	**Due between 2 and 5 years £000**	**Due after 5 years £000**	**Total £000**
31 March 2020					
Non-derivative financial liabilities					
Borrowings excluding finance lease liabilities	27,222	7,722	23,166	138,996	197,106
Interest payments on borrowings	7,981	7,618	20,678	57,161	93,438
Finance lease liabilities including interest	2,328	1,664	2,046	12,058	18,096
31 March 2019					
Non-derivative financial liabilities					
Borrowings excluding finance lease liabilities	16,222	6,427	22,973	148,206	193,828
Interest payments on borrowings	14,654	14,099	38,547	115,863	183,163

Credit Risk

Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as exposure to trade customers, including outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of these financial instruments. Further information on the credit risk relating to trade receivables is given in note 15.

Counterparty risk arises from the investment of surplus funds which are pooled with certain other funds within other Group companies. The Group's surplus funds are managed by the ultimate parent company's treasury function and are usually placed in short-term fixed interest deposits or the overnight money markets. Deposit counterparties must meet board approved minimum criteria based on their short-term credit ratings and therefore be of good credit quality.

The principal credit risks faced by the Company can be found in the Annual Report and Financial Statements of Viridor Limited, an intermediate parent company and the smallest Group in which these financial statements are consolidated.

3 Financial risk review (continued)

(b) Capital risk management
The principal capital risks faced by the Company can be found in the Annual Report and Financial Statements of Viridor Limited, the intermediate holding company.

(c) Determination of fair values
The Company uses the following hierarchy for determining the fair value of financial instruments by valuation technique:
• quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
• inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)
• inputs for the asset or liability not based on observable market data (unobservable inputs) (level 3).
The Company's financial instruments are valued using level 2 measures as analysed in note 13.

4 Critical accounting judgements and key sources of estimation uncertainty

Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies.

(a) Impairment of non-financial assets

In order to determine whether impairments, or reversals of previous impairments, are required for non-financial assets, there is an assessment of whether there are any indicators for further impairment or reversal during the year. The assessment includes a review of changes in market and discount rates over the year, together with a review of CGU business performance against expectations. The 2019/2020 review concluded there were no indicators of further impairment or reversal.

5 Operating profit

Revenue

The grouping of revenue streams, analysed by how they are affected by economic factors is as follows:

	UK £000	Total £000
Year ended 31 March 2020		
Waste management services	50,308	50,308
Energy	10,572	10,572
Recyclate	4,958	4,958
	65,838	65,838
Year ended 31 March 2019		
Waste management services	46,077	46,077
Energy	3,586	3,586
Recyclate	6,202	6,202
	55,865	55,865

The Company's country of domicile is the United Kingdom and is the country in which it generates its revenue. The Company's non-current assets are all located in the United Kingdom.

Operating costs

	Note	31 March 2020 £000	31 March 2019 £000
Manpower costs	8	9,427	7,702
Raw materials and consumables		6,119	3,891
Other operating expenses:			
Profit on disposal of property, plant and equipment		2	58
Lease rentals payable		688	3,839
Trade receivables impairment	15	68	115
Power		667	85
Rates		(15)	826
Hired and contracted services		22,431	17,668
Other external charges		4,574	1,702
		28,415	24,293
Depreciation of property, plant and equipment:			
- Owned assets		6,417	3,206
- Under finance leases		2,402	4
	11	8,819	3,210

Lease rentals payable in the current year relate to leases classified as short-term or low-value in accordance with IFRS 16. Lease rentals payable in the prior year relate to operating lease payments as per the definition in IAS 17, the requirements of which were superseded by the adoption of IFRS 16 on 1 April 2019 (note 24).

6 Finance income and costs

	Note	2020 £ 000	2019 £ 000
Finance income			
Interest income on bank deposits		4	9
Other finance income		-	69
Total finance income		4	78
Finance costs			
Interest on obligations under finance leases and hire purchase contracts		(331)	(1)
Loans from ultimate parent company	23	(18)	(15)
Loans from intermediate parent company	23	(8,639)	(13,916)
Loans from immediate parent company	23	(418)	(499)
Unwinding of discounts in provisions		-	(7)
Borrowing costs included in cost of qualifying asset		-	10,367
Total finance costs		(9,406)	(4,071)
Net finance costs		(9,402)	(3,993)

7 Taxation

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
UK corporation tax	(1,669)	(1,653)
Deferred tax	3,689	4,615
Tax charge in the income statement	2,020	2,962

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit before tax for the year.

Reconciliation of total tax charge:
The total tax for the year differs from the theoretical amount that would arise using the standard rate of Corporation tax in the UK of 19% (2019: 19%) as follows:

	2020 £ 000	2019 £ 000
Profit before tax	3,656	12,776
Tax calculated at the standard rate of UK Corporation tax of 19%	695	2,428
Depreciation charged on non-qualifying assets	326	148
Adjustment to tax in respect of prior years	(745)	386
Deferred tax charge relating to change in tax rate	1,744	-
Total tax charge	2,020	2,962

UK corporation tax is stated after a credit relating to prior year current tax of £1,082,000 (2019: charge of £299,000) and a prior year deferred tax charge of £337,000 (2019: charge of £87,000).

The adjustment to the tax charge in respect of the change in tax rate follows the announcement in the Chancellor's budget on 11th March 2020, that the UK corporation tax rate will be held at 19% (rather than reducing to 17% as previously enacted). This is considered a non-underlying charge to the Company.

Reconciliation of current tax credit:
The current tax for the year differs from the theoretical amount that would arise using the standard rate of Corporation tax in the UK of 19% (2019: 19%) as follows:

	2020 £ 000	2019 £ 000
Profit before tax	3,656	12,776
Tax calculated at the standard rate of UK Corporation tax of 19%	695	2,428
Relief for capital expenditure in place of depreciation on qualifying assets	(1,804)	(4,587)
Movements on non qualifying assets	326	148
Adjustment to current tax in respect of prior years	(1,082)	299
Other timing differences	196	59
Current tax credit	(1,669)	(1,653)

The current tax charge is lower than the UK headline rate of 19%, primarily due to the availability of capital allowances. Capital allowances provide tax relief when a business incurs expenditure on qualifying capital items such as plant and machinery.

7 Taxation (continued)

Deferred tax

Deferred tax is provided in full on temporary differences under the liability method using enacted tax rates.

Movements on deferred tax were:

	31 March 2020 £ 000	31 March 2019 £ 000
Net liabilities at 1 April	(12,710)	(8,108)
Charge to the income statement	(3,689)	(4,615)
Credit to equity	154	-
Credit to other comprehensive income	-	13
Net liabilities at 31 March	(16,245)	(12,710)

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The deferred tax charge includes a non-underlying charge of £1,744,000 in respect of the announcement in the Chancellor's budget on 11th March 2020, that the UK corporation tax rate will be held at 19% (rather than reducing to 17% as previously enacted).

The credit to equity represents the effect on deferred taxation of the transition to IFRS 16 on 1 April 2019.

All deferred tax assets and liabilities are within the same jurisdiction and may be offset as permitted by IAS 12

The movement in deferred tax assets and liabilities were:

	At 1 April 2019 £ 000	Recognised in income statement £ 000	Recognised in equity £ 000	At 31 March 2020 £ 000
Accelerated tax depreciation	(13,033)	(3,633)	154	(16,512)
Provisions	323	(56)	-	267
Derivatives	-	-	-	-
Net tax assets/(liabilities)	**(12,710)**	**(3,689)**	**154**	**(16,245)**

The movement in deferred tax assets and liabilities during the prior year were:

	At 1 April 2018 £ 000	Recognised in income statement £ 000	Recognised in other comprehensive income £ 000	At 31 March 2019 £ 000
Accelerated tax depreciation	(8,689)	(4,344)	-	(13,033)
Provisions	594	(271)	-	323
Derivatives	(13)	-	13	-
Net tax assets/(liabilities)	(8,108)	(4,615)	13	(12,710)

8 Staff costs

The Company has no employees (2019: none). Services provided by the Company were undertaken by employees of Viridor Waste Management Limited, a fellow subsidiary of Viridor Limited (the smallest Group in which this company's results are consolidated). Viridor Waste Management Limited charged a service fee to the Company including the amounts recorded below for 284 (2019: 289) employees who worked predominantly for the Company.

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	8,201	8,188
Social security costs	840	791
Pension costs	493	460
Capitalised manpower costs	(107)	(1,737)
	9,427	7,702

Details of Directors' emoluments are set out in note 9. There are no personnel other than Directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the Company

9 Directors' remuneration

	2020 £ 000	2019 £ 000
Aggregate emoluments of the Directors in respect of their services to the Company	74	89

The Company incurred no direct charge for Directors' emoluments but received a proportion of the employment costs of the Directors as a management charge from Viridor Waste Management Limited. Total emoluments of the Directors are disclosed in the Financial Statements of Viridor Waste Management Limited.

10 Non current trade and other receivables

	Note	31 March 2020 £000	31 March 2019 £000
Amounts due from related parties	23	6,398	6,398
		6,398	6,398

The Directors consider that the carrying amount of non current trade and other receivables approximates to their fair value.

11 Property, plant and equipment

	Land and buildings £ 000	Fixed and mobile plant, vehicles and computers £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation				
At 1 April 2018	4,071	17,624	154,902	176,597
Additions	-	5,363	40,996	46,359
Disposals	-	(190)	(4)	(194)
Transfers/reclassifications	-	194,513	(194,513)	-
At 31 March 2019	4,071	217,310	1,381	222,762
Transition to IFRS 16	5,453	4,391	-	9,844
At 1 April 2019	9,524	221,701	1,381	232,606
Additions	44	1,121	10,885	12,050
Disposals	-	(305)	-	(305)
Transfers/reclassifications	-	4,759	(3,584)	1,175
At 31 March 2020	9,568	227,276	8,682	245,526
Depreciation				
At 1 April 2018	3,793	9,113	-	12,906
Charge for year	59	3,151	-	3,210
Eliminated on disposal	-	(101)	-	(101)
At 31 March 2019	3,852	12,163	-	16,015
At 1 April 2019	3,852	12,163	-	16,015
Charge for the year	403	8,416	-	8,819
Eliminated on disposal	-	(263)	-	(263)
Transfers/reclassifications	-	1,175	-	1,175
At 31 March 2020	4,255	21,491	-	25,746
Carrying amount				
At 31 March 2020	5,313	205,785	8,682	219,780
At 31 March 2019	219	205,147	1,381	206,747
At 1 April 2018	278	8,511	154,902	163,691

Groups of assets forming cash generating units are reviewed for indicators of impairment. No indicators of impairment were identified during the year.

Asset lives and residual values are reviewed annually. No significant changes were required in the year.

11 Property, plant and equipment (continued)

Right of use assets held under leases included above were:

	Machinery £ 000	Property £ 000	Total £ 000
Cost or valuation			
At 31 March 2019	-	-	-
Transition to IFRS 16	4,391	5,453	9,844
At 1 April 2019	4,391	5,453	9,844
Additions	994	44	1,038
Disposals	(199)	-	(199)
At 31 March 2020	5,186	5,497	10,683
Depreciation			
Charge for the year	2,057	345	2,402
Eliminated on disposal	(167)	-	(167)
At 31 March 2020	1,890	345	2,235
Carrying amount			
At 31 March 2020	3,296	5,152	8,448

12 Investments

Subsidiaries	**£ 000**
Cost or valuation	
At 1 April 2018	331
At 31 March 2019	331
At 1 April 2019	331
At 31 March 2020	331
Provision	
At 1 April 2018	331
At 31 March 2019	331
At 1 April 2019	331
At 31 March 2020	331
Carrying amount	
At 31 March 2020	-
At 31 March 2019	-
At 1 April 2018	-

Full provision has been made against the carrying value of the investment.

Details of the subsidiaries as at 31 March 2020 are as follows:

Name of subsidiary	**Principal activity**	**Country of incorporation and place of business**	**Proportion of ownership interest and voting rights held**	
			2020	**2019**
A.A. Best & Sons Limited	Dormant	Scotland	100%	100%

*The registered office for the company listed above is:
1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL.

13 Financial instruments by category

	Notes	Amortised cost Loans and receivables £000	Trade receivables and trade payables £000	Total £000
31 March 2020				
Financial assets				
Trade and other receivables	10, 15	6,398	7,900	14,298
Cash and cash equivalents	16	4,097	-	4,097
		10,495	**7,900**	**18,395**
Financial liabilities				
Borrowings	18	(214,888)	-	(214,888)
Trade and other payables	17	-	(9,701)	(9,701)
		(214,888)	**(9,701)**	**(224,589)**
31 March 2019				
Financial assets				
Trade and other receivables	10, 15	6,398	6,747	13,145
Cash and cash equivalents	16	4,339	-	4,339
		10,737	6,747	17,484
Financial liabilities				
Borrowings	18	(202,277)	-	(202,277)
Trade and other payables	17	-	(10,083)	(10,083)
		(202,277)	(10,083)	(212,360)

14 Inventories

	31 March 2020 £ 000	31 March 2019 £ 000
Raw materials and consumables	1,631	1,497

15 Trade and other receivables

	Note	31 March 2020 £ 000	31 March 2019 £ 000
Trade receivables		5,012	6,512
Provision for impairment of trade receivables		(183)	(115)
Net trade receivables		4,829	6,397
Receivables from related parties	23	3,071	350
Prepayments and other receivables		4,452	3,961
		12,352	10,708

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

At 31 March 2020, trade receivables of £2,620,000 (2019: £5,057,000) were fully performing with no significant concentration of credit risk.

The ageing of trade receivables which are past due but not specifically impaired was:

	31 March 2020 £ 000	31 March 2019 £ 000
Past due 1 - 30 days	44	524
Past due 31 - 121 days	126	816
More than 120 days	2,039	-
	2,209	1,340

These relate to a number of major corporate customers and government agencies with no history of default.

The ageing of trade receivables which have been specifically impaired was:

Not due	76	-
Past due 31 - 121 days	48	-
More than 120 days	59	115
	183	115

The provision for expected credit losses relates to those debts in industry sectors known to be vulnerable to economic swings or to customers who have ceased trading at the balance sheet date.

The movement in the allowance for expected credit losses in respect of trade receivables was:

	Note	31 March 2020 £ 000	31 March 2019 £ 000
At start of year		115	-
Movement in provision for expected credit losses	5	68	115
		183	115

16 Cash and cash equivalents

	31 March 2020 £ 000	31 March 2019 £ 000
Cash on hand	4,097	4,339

17 Trade and other payables

	Note	31 March 2020 £ 000	31 March 2019 £ 000
Trade payables		1,198	1,717
Contract liabilities		655	548
Accrued expenses		9,335	10,019
Amounts due to related parties	23	8,503	8,366
Social security and other taxes		281	-
		19,972	20,650

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Contract liabilities are recognised when consideration is received in advance of the Group performing its obligations to customers. The movement in the contract liabilities was:

	31 March 2020 £ 000	31 March 2019 £ 000
At 1 April	548	641
Revenue recognised in the year	(548)	(641)
Consideration received in advance	655	548
At 31 March	655	548

All contract liabilities are expected to be satisfied and revenue recognised within the financial year ending 31 March 2021

18 Loans and borrowings

Current loans and borrowings

	Note	31 March 2020 £ 000	31 March 2019 £ 000
Finance lease liabilities		2,037	-
Amounts due to related parties	23	27,222	16,222
		29,259	16,222

18 Loans and borrowings (continued)

Non-current loans and borrowings

		31 March 2020		31 March 2019	
	Note	Book Value £000	Fair Value £000	Book Value £000	Fair Value £000
Finance lease liabilities		7,296	7,296	-	-
Amounts due to related parties	23	178,333	209,175	186,055	263,705
		185,629	216,471	186,055	263,705

Where market values are not available, fair values of borrowings have been calculated by discounting expected future cash flows at prevailing interest rates.

Maturity of non-current borrowings:

	31 March 2020 £ 000	31 March 2019 £ 000
Between 1 and 2 years	9,147	6,427
Between 2 and 5 years	24,628	22,973
Over 5 years	151,854	156,655
	185,629	186,055

The weighted average maturity of non-current borrowings was 24.0 years (2019: 24.0 years).

Finance leases

The obligations under finance leases are secured over the property, plant and equipment concerned

2020	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
Within one year	2,328	(291)	2,037
In two to five years	3,710	(824)	2,886
In over five years	12,058	(7,648)	4,410
	18,096	(8,763)	9,333

Total borrowings

	£ 000	£ 000
Finance lease liabilities	9,333	-
Amounts due to Intermediate parent company	177,606	185,328
Amounts due to Immediate parent company	19,500	8,500
Amounts due to Fellow subsidiary	8,389	8,389
Amounts due to Subsidiary undertaking	60	60
	214,888	202,277

The loan from the intermediate parent company is unsecured. Interest is charged on a daily basis at a rate of 4.698% (2019: senior debt at a fixed rate of 7.0% and the junior debt at 13.0%).

The loan from the immediate parent company is unsecured and repayable on demand. Interest is charged with 50% of the balance at a fixed rate of 5.0% (2019: 6.0%) and 50% of the balance at the Bank of England base rate plus 0.25%.

19 Provisions

	31 March 2020 £ 000	31 March 2019 £ 000
Current provisions	169	481
Non-current provisions	885	785
	1,054	1,266

	Other provisions £ 000	Total £ 000
At 1 April 2019	1,265	**1,265**
Additional provisions	270	**270**
Provisions utilised	(481)	**(481)**
At 31 March 2020	**1,054**	**1,054**

Other provisions of £1,054,000 (2019: £1,266,000) have been recognised, conforming with IAS 37 Provisions, contingent liabilities and contingent assets, as liabilities of uncertain timing or amount arising from obligations from Viridor's operations which are not subject to permit requirements.

20 Share capital

Allotted, called up and fully paid shares

	31 March 2020		31 March 2019	
	No.	£	No.	£
A Ordinary shares of £0.20 each	45,000	9,000	45,000	9,000
B Ordinary shares of £0.20 each	30,000	6,000	30,000	6,000
	75,000	15,000	75,000	15,000

Rights, preferences and restrictions

The 'A' Ordinary shares have the right to receive dividends out of profits declared available for distribution. The 'B' Ordinary shares have no rights to dividends.

21 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £3,222,000 (2019 - £9,944,000).

22 Contingent liabilities

	31 March 2020 £ 000	31 March 2019 £ 000
Bank guarantee	479	333
Performance bonds	3,752	3,752
	4,231	4,085

i) Bank Guarantees
Certain banking arrangements of the Company operate on a pooled basis with certain other Group companies and under these arrangements, credit balances of participating companies can be offset against overdrawn balances of participating companies.

ii) Performance Bonds
Due to the long term nature of the company's operations and the requirement to provide for future obligations arising from the grant of licences to operate waste transfer and disposal facilities, it has provided guarantees underwritten (in the form of bonds) by United Kingdom financial institutions to secure funds to meet these obligations.

No financial liabilities are expected to crystalise as a result of the contingent liabilities.

23 Related party transactions

Year end balances

	Note	31 March 2020 £000	31 March 2019 £000
Non-current receivables			
Fellow subsidiaries		6,398	6,398
	10	6,398	6,398
Current receivables			
Immediate parent company		2,562	-
Fellow subsidiaries		509	350
	15	3,071	350
Non-current borrowings			
Intermediate parent company		(169,884)	(177,606)
Fellow subsidiaries		(8,389)	(8,389)
Subsidiary undertakings		(60)	(60)
	18	(178,333)	(186,055)
Current borrowings			
Intermediate parent company		(7,722)	(7,722)
Immediate parent company		(19,500)	(8,500)
	18	(27,222)	(16,222)
Current trade payables			
Intermediate parent company		(25)	(93)
Immediate parent company		(7,999)	(7,979)
Fellow subsidiaries		(479)	(294)
	17	(8,503)	(8,366)

The loan from the intermediate parent company is unsecured. Interest is charged on a daily basis at a rate of 4.698% (2019: senior debt at a fixed rate of 7.0% and the junior debt at 13.0%).

The loan from the immediate parent company is unsecured and repayable on demand. Interest is charged with 50% of the balance at a fixed rate of 5.0% (2019: 6.0%) and 50% of the balance at the Bank of England base rate plus 0.25%.

The trading balances due to or from the related parties are interest free, unsecured and repayable on demand.

23 Related party transactions (continued)

Transactions with related parties

Income from related parties:

2020	Immediate parent company £ 000	Fellow subsidiaries £ 000	Total £000
Sale of goods and services	22,849	4,633	**27,482**

2019	Immediate parent company £ 000	Fellow subsidiaries £ 000	Total £000
Sale of goods and services	6,742	4,851	**11,593**

Expenditure with related parties:

2020	Note	Ultimate parent company £ 000	Intermediate parent company £ 000	Immediate parent company £ 000	Fellow subsidiaries £ 000	Total £000
Purchase of goods and services		-	-	(8,852)	(1,285)	**(10,137)**
Administrative charges		-	-	(4,722)	-	**(4,722)**
Payment for provision of loan finance	6	(18)	(8,639)	(418)	-	**(9,075)**
		(18)	(8,639)	(13,992)	(1,285)	**(23,934)**

2019	Note	Ultimate parent company £ 000	Intermediate parent company £ 000	Immediate parent company £ 000	Fellow subsidiaries £ 000	Total £000
Purchase of goods and services		-	-	(729)	(367)	**(1,096)**
Administrative charges		-	-	(5,551)	-	**(5,551)**
Payment for provision of loan finance	6	(15)	(13,916)	(499)	-	**(14,430)**
		(15)	(13,916)	(6,779)	(367)	**(21,077)**

Sales and purchases of goods and services with fellow subsidiaries of Viridor Limited are undertaken on normal commercial terms and conditions that would also be available to unrelated third parties.

24 Change in accounting policy on leases

Adjustments recognised on the adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16 'Leases' on the Company's financial statements and discloses the new accounting policies that have been adopted from 1 April 2019, where they are different from those applied in earlier periods.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Viridor Group's weighted average Incremental Borrowing Rate (IBR).

Following adoption of IFRS 16, the Company no longer distinguishes between an on the balance sheet finance lease and an off the balance sheet operating lease. For Leases previously classified as finance leases, the Company recognised the carrying amount of leased assets and lease liabilities immediately prior to transition as the carrying amount of the right-of-use asset and lease liability at the date of initial application. The measurement principles of IFRS 16 only apply after this date.

As permitted under IFRS 16 the Company have presented right-of-use assets and lease liabilities within property, plant and equipment and borrowings respectively. This approach is consistent with the Company's previous presentation of Finance leases under IAS 17.

At 31 March 2019, the Company had non-cancellable operating lease commitments of £16,316,000. These predominantly relate to leases of properties occupied by the Company in the course of carrying out its businesses.

The discount rate used in the calculation of the lease liability involves estimation. The discount rate is calculated on a lease by lease basis. For vehicle leases, which account for less than 1% of the present value of future lease payments, the discount rate is determined by the implicit rate within the lease. For all other leases, where implicit rates are not available, discount rates are calculated using the Viridor Group's estimated IBR for each lease. The IBR is determined with reference to applicable reference rate borrowing curves (e.g. LIBOR or its successor), credit margins for the different business segments and lease terms. At the commencement of a new lease, discount rates are updated to ensure the Company applies the IBR that reflects current market conditions. At 1 April 2019, the date of transition to IFRS 16, the range of rates used was between 2.43% and 4.5% and the weighted average IBR across all leases was 3.6%.

A reconciliation of the lease liability recognised at 1 April 2019 to operating lease commitments at 31 March 2019 is shown below:

	£000
IAS 17 operating lease commitments	16,316
Less: impact of discounting at weighted average discount rate of 3.6%	(5,664)
IFRS 16 lease liability as at 1 April 2019	**10,652**
Of which:	
Current lease liabilities	(2,614)
Non-current lease liabilities	(8,038)
	(10,652)

24 Change in accounting policy on leases (continued)

Associated right-of-use assets for selected land and building leases were measured on a retrospective basis (as if IFRS 16 had applied from lease inception). All remaining right-of-use assets were measured at the amount equal to the lease liability, adjusted by prepaid or accrued lease payments under IFRS 16 transition provisions relating to leases recognised on the balance sheet at 31 March 2019.

A reconciliation between the opening lease liabilities and right-of-use assets at 1 April 2019 is shown below:

	£000
Lease liabilities following first application of IFRS 16	(10,652)
Less: adjustment due to application of IFRS 16 at lease inception	808
Right-of-use assets on first application of IFRS 16	**(9,844)**

In applying IFRS 16 for the first time, the Company has used the following practical expedients and made the following elections permitted by the standard:

• the use of single discount rates to portfolios of leases with similar characteristics;
• the application of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease;
• Applying the modified retrospective approach: the cumulative effect of initially applying IFRS 16 has been calculated as a reduction to retained profits at 1 April 2019 of £654,000. Under this election no restatement of comparative figures will be made
• Electing to apply the standard to contracts that were previously identified as leases when applying IAS 17

Income Statement impact of IFRS 16
Based on the additional lease liability and associated assets recognised at 1 April 2019, the impact on profit for the year ended 31 March 2020, was a decrease in profit before tax of £119,000 resulting from:
• an increase in EBITDA of £2,614,000
• an increase in depreciation of £2,402,000
an increase in finance costs of £331,000

EBITDA increased as operating lease costs previously charged against EBITDA under IAS 17 has been replaced under IFRS 16 with charges for depreciation and interest which are excluded from EBITDA (albeit included in earnings). Short-term and low value leasing costs continue to be charged against EBITDA.

Net operating cash flows increased under IFRS 16 as the element of cash paid attributable to the repayment of principal is included in financing cash flows. The net increase/decrease in cash and cash equivalents remains unchanged.

25 Parent and ultimate parent undertaking

On 8th July 2020 the ultimate parent company changed following the sale of Viridor Limited to Planets UK Bidco Limited. Further details are included in note 26.
The following information relates to the Group structure that existed at 31 March 2020.

The company's immediate parent is Viridor Waste Management Limited.

The ultimate parent was Pennon Group Plc.

The most senior parent entity producing publicly available financial statements was Pennon Group Plc. These financial statements are available upon request from Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Pennon Group Plc, incorporated in England.

The address of Pennon Group Plc is:
Peninsula House, Rydon Lane, Exeter, Devon, EX2 7HR

The parent of the smallest group in which these financial statements are consolidated is Viridor Limited, incorporated in England.

The address of Viridor Limited is:
Viridor House, Priory Bridge Road, Taunton, Somerset, TA1 1AP

26 Non adjusting events after the financial period

Change in ownership of the Viridor Group
On 08 July 2020, following the completion of the sale of Viridor Limited to Planets UK Bidco Limited, the ultimate controlling party of this Company became KKR & Co. Inc.

Pennon Group employee's who worked predominantly for Viridor, as part of a shared service arrangement with other Pennon Group Companies, were transferred to Viridor under TUPE regulations, ensuring continuation of service.

There were no other financial impacts of the sale on this Company.

Impact of COVID-19
The World Health Organisation announced that COVID-19 was a global pandemic on 11 March 2020 and the UK Government announced its wide-ranging lockdown restrictions on 23 March 2020. Given that these events took place prior to the Company's financial year end of 31 March 2020, the Directors have considered the impact of these events when making its key judgements and estimates at the balance sheet date, up to the date of approving the annual report and accounts.

To date, our business has remained broadly resilient to the immediate risks that have been presented by COVID-19. However it is likely that there will be on-going restrictions in place during the next financial year which could provide continued challenges to the delivery of key operational activities.

Given the complexity of the situation and its rapid evolution, it is not considered practicable, as at the date of approval of these financial statements, to reliably estimate the impact on the Company's future performance.